

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|--|---------------------------------|---|-------------------------|
| Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name CITY OF PETERSBURG | County MONROE |
| Fiscal Year End 06/30/07 | Opinion Date 12/12/07 | Date Audit Report Submitted to State 12/21/07 | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


SE
O

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | |
|--|-------------------------------------|---|-------------------------------------|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | |
| Financial Statements | <input checked="" type="checkbox"/> | | |
| The letter of Comments and Recommendations | <input checked="" type="checkbox"/> | | |
| Other (Describe) | <input type="checkbox"/> | | |
| Certified Public Accountant (Firm Name) COOLEY HEHL WOHLGAMUTH & CARLTON, PLLC | | Telephone Number 734-241-7200 | |
| Street Address ONE SOUTH MONROE STREET | | City MONROE | State MI |
| | | Zip 48161 | |
| Authorizing CPA Signature  | | Printed Name NICKLAUS W. CALKINS, CPA | License Number 1101026937 |

CITY OF PETERSBURG
Monroe County, Michigan

ANNUAL FINANCIAL REPORT

June 30, 2007

CITY OF PETERSBURG

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Independent Auditor's Report

To the Honorable Mayor and Members
of the City Council
City of Petersburg
Petersburg, MI 49270

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Petersburg, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Petersburg, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Petersburg, Michigan as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Cooley Hehl Wohlgamuth & Carlton, PLLC

December 12, 2007

CITY OF PETERSBURG

Management's Discussion and Analysis Year Ended June 30, 2007

This section of the City of Petersburg's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2007. Please read it in conjunction with the City's financial statements, which immediately follow this section. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplementary information that presents all the City's revenues and expenditures by program for the General Fund, Special Revenue Funds, Debt Fund, and Proprietary Funds.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Petersburg financially as a whole. The ***Government-Wide Financial Statements***, which include the Statement of Net Assets and the Statement of Activities, provide information about the activities of the City as a whole and presents both a short-term and a long-term view of those finances. The ***Fund Financial Statements*** provide the next level of detail. For governmental activities, these statements explain how services were financed in the short-term as well as what remains for future spending. The ***Fund Financial Statements*** report the City's operations in more detail than the ***Government-Wide Financial Statements*** by providing information about the City's most significant funds - the General Fund, the Major Street Fund, the Local Street Fund, the Law Enforcement Fund, the Library Fund, the Debt Fund, the Water Fund, and the Sewage Disposal Fund. The remaining statement, the Statement of Fiduciary Net Assets, presents financial information about activities for which the City acts solely as an agent for the benefit of the public. The following summary illustrates how the various parts of this annual report are arranged:

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

Government-Wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

*Budgetary Information for Major Funds
(Required Supplemental Information)*

Other Supplemental Information

CITY OF PETERSBURG

Management's Discussion and Analysis Year Ended June 30, 2007

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities (pages 9-11), which appear first in the City's financial statements, report information on the City as a whole and its activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the City's financial health is improving or deteriorating. The relationship between revenues and expenses indicates the City's operating results. However, the City's goal is to provide services to our residents, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the services provided and the safety of the public to assess the overall health of the City.

The Statement of Net Assets and Statement of Activities report the governmental activities for the City, which encompass all of the City's services, including general government services, public safety, public works, culture and recreation. property taxes, state grants, and charges for services finance most of these activities.

Fund Financial Statements

The City's Fund Financial Statements (pages 12-22) provide detailed information about the most significant or "major" funds - not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City establishes other funds to control and manage money for particular purposes or to show that it is properly using revenues. The City's three types of funds, governmental, proprietary and fiduciary, use different accounting approaches as described below:

Governmental funds - Many of the City's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the City and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation format in the financial section on pages 14 and 17.

Proprietary fund - A Proprietary Fund is used to account for business-type activities of the City, which consists of the Water Fund and the Sewage Disposal Fund. These funds account for services provided by the City where the City charges customers for the services it provides. These funds use accrual accounting; the same method used by private sector business.

Fiduciary fund - An Agency Fund is used to account for assets held by the City as an agent for the collection and disbursement of property taxes.

CITY OF PETERSBURG

Management's Discussion and Analysis Year Ended June 30, 2007

Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of the City as a whole. Table 1 provides a summary of the City's net assets as of June 30, 2007 and 2006:

Table 1:

Comparative Statement of Net Assets June 30,

| | Governmental Activities | | Business-Type Activities | | Total | |
|-------------------------------|----------------------------|--------------------|-----------------------------|--------------------|--------------------|--------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Current and other assets | \$775,163 | \$1,048,961 | \$1,067,691 | \$748,933 | \$1,842,854 | \$1,797,894 |
| Capital assets, net | 763,169 | 771,535 | 4,291,317 | 4,462,912 | 5,054,486 | 5,234,447 |
| Total Assets | 1,538,332 | 1,820,496 | 5,359,008 | 5,211,845 | 6,897,340 | 7,032,341 |
| Current and other liabilities | 89,660 | 139,606 | 186,755 | 178,753 | 276,415 | 318,359 |
| Long-term liabilities | 64,993 | 88,487 | 3,105,000 | 3,250,000 | 3,169,993 | 3,338,487 |
| Total Liabilities | 154,653 | 228,093 | 3,291,755 | 3,428,753 | 3,446,408 | 3,656,846 |
| Net Assets | | | | | | |
| Invested in capital | | | | | | |
| assets, net of related debt | 676,455 | 664,037 | 1,041,317 | 1,072,912 | 1,717,772 | 1,736,949 |
| Restricted | 184,221 | 40,642 | 189 | 332 | 184,410 | 40,974 |
| Unrestricted | 523,003 | 887,724 | 1,025,747 | 709,848 | 1,548,750 | 1,597,572 |
| Total Net Assets | \$1,383,679 | \$1,592,403 | \$2,067,253 | \$1,783,092 | \$3,450,932 | \$3,375,495 |

As depicted in Table 1, the City's net assets were \$3.450 million at June 30, 2007. Of this amount, a positive \$1.548 million was unrestricted. This amount represents the *accumulated* results of all past years' operations. The unrestricted net asset balance is used for working capital and cash flow needs as well as to provide for future uncertainties. The City continues to collect a debt service charge in the Water Fund. In addition, tap-ins on the new water system have totaled approximately \$645,000 as of June 30, 2007. This additional revenue has been designated by the City for future debt repayment and remains in net assets as of June 30. Under normal conditions, the operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the City as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net assets for the fiscal year ended June 30, 2007 and 2006.

CITY OF PETERSBURG

*Management's Discussion and Analysis
Year Ended June 30, 2007*

Government-Wide Financial Analysis - Continued

Table 2:

**Comparative Statement of Activities
June 30,**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|----------------------------|-------------------|-----------------------------|-----------------|------------------|------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$40,750 | \$40,604 | \$324,977 | \$329,166 | \$365,727 | \$369,770 |
| Federal, state and local grants | 87,123 | 87,776 | 0 | 0 | 87,123 | 87,776 |
| | <u>127,873</u> | <u>128,380</u> | <u>324,977</u> | <u>329,166</u> | <u>452,850</u> | <u>457,546</u> |
| General revenues | | | | | | |
| Property taxes | 385,176 | 359,541 | 71,891 | 72,937 | 457,067 | 432,478 |
| State grants | 145,602 | 149,604 | 0 | 0 | 145,602 | 149,604 |
| Other general revenues and transfers out | (237,317) | 84,978 | 470,974 | 189,053 | 233,657 | 274,031 |
| | <u>293,461</u> | <u>594,123</u> | <u>542,865</u> | <u>261,990</u> | <u>836,326</u> | <u>856,113</u> |
| Total Revenues | 421,334 | 722,503 | 867,842 | 591,156 | 1,289,176 | 1,313,659 |
| Functions/Program Expenses | | | | | | |
| Legislative | 14,341 | 12,877 | 0 | 0 | 14,341 | 12,877 |
| General government | 123,125 | 133,483 | 0 | 0 | 123,125 | 133,483 |
| Public safety | 142,321 | 131,876 | 0 | 0 | 142,321 | 131,876 |
| Public works | 250,437 | 373,675 | 0 | 0 | 250,437 | 373,675 |
| Health and welfare | 10,670 | 472 | 0 | 0 | 10,670 | 472 |
| Recreation and cultural | 22,933 | 24,270 | 0 | 0 | 22,933 | 24,270 |
| Interest on long-term debt | 4,376 | 1,288 | 0 | 0 | 4,376 | 1,288 |
| Other | 61,855 | 57,259 | 0 | 0 | 61,855 | 57,259 |
| Sewer | 0 | 0 | 251,059 | 236,797 | 251,059 | 236,797 |
| Water | 0 | 0 | 332,622 | 295,218 | 332,622 | 295,218 |
| Total Expenses | <u>630,058</u> | <u>735,200</u> | <u>583,681</u> | <u>532,015</u> | <u>1,213,739</u> | <u>1,267,215</u> |
| Increase (Decrease) in Net Assets | <u>(\$208,724)</u> | <u>(\$12,697)</u> | <u>\$284,161</u> | <u>\$59,141</u> | <u>\$75,437</u> | <u>\$46,444</u> |

CITY OF PETERSBURG

Management's Discussion and Analysis *Year Ended June 30, 2007*

Government-Wide Financial Analysis - Concluded

As indicated in Table 2, the cost of *all governmental* activities this year was \$630,058. Of this amount, \$127,048 was subsidized with revenue generated from charges for services and grants with the remaining costs financed with general revenues.

The City experienced an increase in net assets of \$75,437 for the current fiscal year. The increase in net assets differs from the change in fund balance. A reconciliation of the change in fund balances for the governmental funds to the change in net assets appears on page 17.

The City also started the Brownfield Redevelopment Authority (BRA). The BRA was started to help the City with clean up of environmental costs associated with the property purchased from VanDeilen Industries, Inc. The BRA will allow the City to recoup environmental cleanup costs through collection of taxes (See Note 12 on Tax Increment Financing).

Fund Financial Analysis

As noted earlier, the City uses funds to help control and manage money for particular purposes. Looking at funds helps the reader consider whether the City of Petersburg is being held accountable for the resources taxpayers and others provide to it and may give more insight into the City's overall financial health.

As the City completed this year, the funds accounting for the governmental activities reported a combined fund balance of \$685,310, which is a decrease of \$221,146 from last year. The changes by fund types are as follows:

| | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>Total</u> |
|--|-------------------------|--------------------------------------|------------------|
| Fund balances - Beginning of year | \$887,724 | \$ 18,732 | \$906,456 |
| Increase (decrease) | <u>(365,546)</u> | <u>144,400</u> | <u>(221,146)</u> |
| Fund balances - End of year | <u>\$522,178</u> | <u>\$163,132</u> | <u>\$685,310</u> |

The City and Summerfield Township have agreed that the City will include the audit of the Summerfield-Petersburg Library. In the Fund Financial Statements, we will include 100% of the Library activity. An adjustment will be made to reconcile the City's share of the library, 50%, on the Government-wide financial statements.

The Special Revenue funds include among other funds, the Major Street Fund, which routinely accumulates funds for several years before it contracts for major items. During the fiscal year ended June 30, 2007, the Major Street Fund had revenues of \$65,284 and expenditures of \$59,123.

CITY OF PETERSBURG

Management's Discussion and Analysis *Year Ended June 30, 2007*

Fund Financial Analysis – Concluded

The City's General Fund balance increase is due to many factors. The tables that follow assist in illustrating the financial activities of the General Fund.

| | <u>June 30, 2007</u> | <u>June 30, 2006</u> | <u>Percent Change</u> |
|------------------------|----------------------|----------------------|---------------------------|
| Revenues | | | |
| Property taxes | \$275,151 | \$256,827 | 7.1 % |
| Licenses and permits | 6,160 | 5,095 | 20.1 % |
| State grants | 145,602 | 149,604 | (2.7)% |
| Charges for services | 9,574 | 9,359 | 2.3 % |
| Interest and rentals | 27,957 | 25,685 | 6.9 % |
| Administrative charges | 25,016 | 26,150 | (4.3)% |
| Other | 11,621 | 12,671 | (8.29)% |
| | <u>\$501,081</u> | <u>\$485,391</u> | 3.2 % |

| | <u>June 30, 2007</u> | <u>June 30, 2006</u> | <u>Percent Change</u> |
|-------------------------|----------------------|----------------------|---------------------------|
| Expenditures | | | |
| Legislative | \$ 14,341 | \$ 12,877 | 11.4 % |
| General government | 139,235 | 245,665 | (43.3)% |
| Public safety | 43,181 | 42,614 | (1.3)% |
| Public works | 160,393 | 122,398 | 31.0 % |
| Health and welfare | 10,670 | 7,222 | 47.7 % |
| Recreation and cultural | 10,236 | 12,038 | (15.0)% |
| Other | 61,855 | 57,259 | 8.0 % |
| | <u>\$439,911</u> | <u>\$500,073</u> | (12.0)% |

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires the City Council to adopt the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the City may revise its budget as it attempts to deal with the unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule illustrating the City's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these financial statements. Revisions to the General Fund original budget were as follows:

Revenues - Although no revisions were made to the revenue budget of \$501,791, several factors impact the planning of it. The City relies heavily on property taxes and state shared revenue to fund General Fund expenditures. Property taxes of \$275,151 (up \$18,324 from the prior year) make up 55% of the General Fund revenues. State revenues of \$145,602 (down \$4,002 from last year) represented approximately 29% of the General Fund revenues. Projected reductions in state-shared revenues, along with a modest increase in taxable value, cause the Council to have a very conservative outlook.

CITY OF PETERSBURG

Management's Discussion and Analysis Year Ended June 30, 2007

General Fund Budgetary Highlights - Concluded

Expenditures - The original budget of \$457,077 had revisions only in relation to transfers between funds of \$426,716. Salary increases over the prior year was 3.2%. Areas experiencing notable increases over the prior year were clerk (\$4,809), public works (\$37,995), insurances and other fringes (\$4,596), and attorney (\$7,345). The increase in public works, in large, was a purchase of a new vehicle for \$24,091 and new street light for \$8,930. Areas experiencing notable decreases over the prior year were city hall (\$8,014), public relations (\$116,311), and fire department (\$5,675). As a result of the City's efforts to clear up interfund loans, the General Fund's fund balance decreased this year by \$364,721, as opposed to an increase in the prior year of \$83,278.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2007, the City had \$7.3 million invested in a broad range of capital assets, including land, land improvements, building and building improvements, machinery and equipment, vehicles, water mains, a waste water treatment plant, and sewer lines. This amount represents a net decrease (including additions and disposals) of approximately \$29,000 from last year. This year's additions were largely attributable to the purchase of vehicles for \$24,091. Depreciation for this year totaled \$189,030. Detailed information regarding capital assets is included in Note 7 to the financial statements.

Debt Administration

At June 30, 2007, the City had \$86,714 in installment loans payable on the purchase of new land. The loan will be paid through transfers from the General Fund.

At June 30, 2007, the City had \$3,250,000 in bond payables on the construction of the sewer plant upgrades and on the water main and pumping station. The bonds for the sewer plant upgrades will be repaid out of a property tax assessment. The water main and pumping station bonds will be paid through the combination of a one-time tap-in charge and a quarterly debt service charge. Detailed information regarding the City's debt is included in Note 8 to the financial statements.

Contacting the City of Petersburg

This financial report is designed to provide the City's citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate their accountability for the money it receives. If you have questions about this report or need additional information, contact the City Treasurer for assistance.

CITY OF PETERSBURG

Statement of Net Assets June 30, 2007

| | Primary Government | | | Component Unit |
|---|-------------------------|--------------------------|-------------|------------------------------------|
| | Governmental Activities | Business-type Activities | Total | Brownfield Redevelopment Authority |
| Assets | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$201,216 | \$468,905 | \$670,121 | \$0 |
| Short-term investments | 411,586 | 103,609 | 515,195 | 0 |
| Accounts/taxes receivable | 1,676 | 131,455 | 133,131 | 0 |
| Due from other governmental units | 45,950 | 0 | 45,950 | 0 |
| Due from component unit | 33,465 | 0 | 33,465 | 0 |
| Investment in joint venture: | | | | |
| Summerfield - Petersburg Library | 51,546 | 0 | 51,546 | 0 |
| Internal balances | 25,192 | (25,192) | 0 | 0 |
| Total Current Assets | 770,631 | 678,777 | 1,449,408 | 0 |
| Restricted Assets: | | | | |
| Cash and cash equivalents | 0 | 189 | 189 | 0 |
| Investments, at market value | 0 | 388,325 | 388,325 | 0 |
| Depreciable capital assets, net | 763,169 | 4,291,317 | 5,054,486 | 0 |
| Other Assets: | | | | |
| Prepaid expenses | 4,532 | 0 | 4,532 | 0 |
| Deposits | 0 | 400 | 400 | 0 |
| Total Other Assets | 4,532 | 400 | 4,932 | 0 |
| Total Assets | 1,538,332 | 5,359,008 | 6,897,340 | 0 |
| Liabilities | | | | |
| Current Liabilities: | | | | |
| Accounts payable | 67,939 | 16,633 | 84,572 | 0 |
| Accrued interest payable | 0 | 25,122 | 25,122 | 0 |
| Due to primary government | 0 | 0 | 0 | 33,465 |
| Loans payable - current portion | 21,721 | 0 | 21,721 | 0 |
| Bonds payable - current portion | 0 | 145,000 | 145,000 | 0 |
| Total Current Liabilities | 89,660 | 186,755 | 276,415 | 33,465 |
| Long-Term Liabilities: | | | | |
| Loans payable (less current portion) | 64,993 | 0 | 64,993 | 0 |
| Bonds payable (less current portion) | 0 | 3,105,000 | 3,105,000 | 0 |
| Total Current Liabilities | 64,993 | 3,105,000 | 3,169,993 | 0 |
| Total Liabilities | 154,653 | 3,291,755 | 3,446,408 | 33,465 |
| Net Assets | | | | |
| Invested in capital assets, net of related debt | 676,455 | 1,041,317 | 1,717,772 | 0 |
| Restricted for: | | | | |
| Capital projects | 0 | 189 | 189 | 0 |
| Road Improvements | 68,971 | 0 | 68,971 | 0 |
| Library | 51,546 | 0 | 51,546 | 0 |
| Law enforcement | 64,529 | 0 | 64,529 | 0 |
| Brownfield Redevelopment Authority | 0 | 0 | 0 | (33,465) |
| Unrestricted | 522,178 | 1,025,747 | 1,547,925 | 0 |
| Total Net Assets | \$1,383,679 | \$2,067,253 | \$3,450,932 | (\$33,465) |

See accompanying notes to the basic financial statements.

CITY OF PETERSBURG

*Statement of Activities
For the Year Ended June 30, 2007*

| Functions/Programs | Program Revenues | | |
|--------------------------------------|------------------|-------------------------|--|
| | Expenses | Charges for Services | Operating Grants and Contributions |
| Primary government: | | | |
| Governmental activities: | | | |
| Legislative | \$14,341 | \$0 | \$0 |
| General government | 123,125 | 25,016 | 0 |
| Public safety | 142,321 | 0 | 825 |
| Public works | 250,437 | 15,734 | 86,298 |
| Health and welfare | 10,670 | 0 | 0 |
| Recreation and cultural | 22,933 | 0 | 0 |
| Interest on long-term debt | 4,376 | 0 | 0 |
| Other | 61,855 | 0 | 0 |
| Total Governmental Activities | 630,058 | 40,750 | 87,123 |
| Business-type activities: | | | |
| Water | 332,622 | 127,041 | 0 |
| Sewer | 251,059 | 197,936 | 0 |
| Total business type activities | 583,681 | 324,977 | 0 |
| Total primary government | \$1,213,739 | \$365,727 | \$87,123 |
| Component Unit: | | | |
| Brownfield Redevelopment Authority | \$25,709 | \$0 | \$0 |
| General Revenues: | | | |
| Property taxes | | | |
| State grants | | | |
| Debt service and connection charges | | | |
| Interest and rentals | | | |
| Other revenue | | | |
| Transfers | | | |
| Total General Revenues and Transfers | | | |
| Change in Net Assets | | | |
| Net Assets - Beginning of year | | | |
| Net Assets - End of year | | | |

See accompanying notes to the basic financial statements.

| Net (Expense) Revenue and Changes in Net Assets | | | |
|---|--------------------------|--------------------|------------------------------------|
| Primary Government | | | Component Unit |
| Governmental Activities | Business-type Activities | Total | Brownfield Redevelopment Authority |
| (\$14,341) | \$0 | (\$14,341) | \$0 |
| (98,109) | 0 | (98,109) | 0 |
| (141,496) | 0 | (141,496) | 0 |
| (148,405) | 0 | (148,405) | 0 |
| (10,670) | 0 | (10,670) | 0 |
| (22,933) | 0 | (22,933) | 0 |
| (4,376) | 0 | (4,376) | 0 |
| (61,855) | 0 | (61,855) | 0 |
| (502,185) | 0 | (502,185) | 0 |
| 0 | (205,581) | (205,581) | 0 |
| 0 | (53,123) | (53,123) | 0 |
| 0 | (258,704) | (258,704) | 0 |
| (502,185) | (258,704) | (760,889) | 0 |
| 0 | 0 | 0 | (\$25,709) |
| 385,176 | 71,891 | 457,067 | 0 |
| 145,602 | 0 | 145,602 | 0 |
| 0 | 155,251 | 155,251 | 0 |
| 30,235 | 28,907 | 59,142 | 0 |
| 11,971 | 7,293 | 19,264 | 0 |
| (279,523) | 279,523 | 0 | 0 |
| 293,461 | 542,865 | 836,326 | 0 |
| (208,724) | 284,161 | 75,437 | (25,709) |
| 1,592,403 | 1,783,092 | 3,375,495 | (7,756) |
| <u>\$1,383,679</u> | <u>\$2,067,253</u> | <u>\$3,450,932</u> | <u>(\$33,465)</u> |

CITY OF PETERSBURG

Governmental Funds Balance Sheet June 30, 2007

| | General Fund | Major Street Fund | Local Street Fund |
|--|-------------------------|------------------------|------------------------|
| Assets | | | |
| Cash and cash equivalents | \$58,851 | \$23,414 | \$54,422 |
| Short-term investments | 411,586 | 0 | 0 |
| Accounts/taxes receivable | 1,676 | 0 | 0 |
| Due from other governmental units | 45,950 | 0 | 0 |
| Due from component unit | 33,465 | 0 | 0 |
| Due from other funds | 32,451 | 0 | 0 |
| Prepaid expense | 4,532 | 0 | 0 |
| Total Assets | <u><u>\$588,511</u></u> | <u><u>\$23,414</u></u> | <u><u>\$54,422</u></u> |
| Liabilities and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | \$66,333 | \$702 | \$904 |
| Due to other funds | 0 | 4,207 | 3,052 |
| Total Liabilities | 66,333 | 4,909 | 3,956 |
| Fund Balances: | | | |
| Reserved for prepaids | 4,532 | 0 | 0 |
| Unreserved - reported in | | | |
| General fund | 517,646 | | |
| Special revenue funds | | 18,505 | 50,466 |
| Total Fund Balances | <u><u>522,178</u></u> | <u><u>18,505</u></u> | <u><u>50,466</u></u> |
| Total Liabilities and Fund Balances | <u><u>\$588,511</u></u> | <u><u>\$23,414</u></u> | <u><u>\$54,422</u></u> |

See accompanying notes to the basic financial statements.

| Law Enforce. Fund | Library Fund | 2006 Installment loan Fund | Total Governmental Funds |
|----------------------|-----------------|----------------------------------|--------------------------------|
| \$64,529 | \$29,632 | \$0 | \$230,848 |
| 0 | 0 | 0 | 411,586 |
| 0 | 0 | 0 | 1,676 |
| 0 | 0 | 0 | 45,950 |
| 0 | 0 | 0 | 33,465 |
| 0 | 0 | 0 | 32,451 |
| 0 | 0 | 0 | 4,532 |
| <u>\$64,529</u> | <u>\$29,632</u> | <u>\$0</u> | <u>\$760,508</u> |
| \$0 | \$0 | \$0 | \$67,939 |
| 0 | 0 | 0 | 7,259 |
| 0 | 0 | 0 | 75,198 |
| 0 | 0 | 0 | 4,532 |
| 64,529 | 29,632 | 0 | 517,646 |
| <u>64,529</u> | <u>29,632</u> | <u>0</u> | <u>163,132</u> |
| <u>64,529</u> | <u>29,632</u> | <u>0</u> | <u>685,310</u> |
| <u>\$64,529</u> | <u>\$29,632</u> | <u>\$0</u> | <u>\$760,508</u> |

CITY OF PETERSBURG

Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Assets June 30, 2007

| | | |
|---|------------------|---------------------------|
| Total Fund Balances - Governmental Funds | | \$685,310 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds: | | |
| The cost of the capital assets | 1,198,862 | |
| Accumulated depreciation | <u>(435,693)</u> | |
| | | 763,169 |
| Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds: | | (86,714) |
| Adjustment to investment in Summerfield - Petersburg Library joint venture to reflect City of Petersburg's 50% equity, total activity of the library was reported in the funds. | | <u>21,914</u> |
| Total Net Assets - Governmental Activities | | <u>\$1,383,679</u> |

See accompanying notes to the basic financial statements.

CITY OF PETERSBURG

*Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2007*

| | General Fund | Major Street Fund | Local Street Fund |
|--|-----------------|----------------------|----------------------|
| Revenues | | | |
| Taxes | \$275,151 | \$0 | \$0 |
| Licenses and permits | 6,160 | 0 | 0 |
| State grants | 145,602 | 65,178 | 21,120 |
| Charges for services | 9,574 | 0 | 0 |
| Local contributions | 0 | 0 | 0 |
| Interest and rentals | 27,957 | 106 | 124 |
| Administrative charges | 25,016 | 0 | 0 |
| Other | 11,621 | 0 | 0 |
| Total Revenues | 501,081 | 65,284 | 21,244 |
| Expenditures | | | |
| Current Operating: | | | |
| Legislative | 14,341 | 0 | 0 |
| General government | 139,235 | 0 | 0 |
| Public safety | 43,181 | 0 | 0 |
| Public works | 160,393 | 59,123 | 12,050 |
| Health and welfare | 10,670 | 0 | 0 |
| Recreation and cultural | 10,236 | 0 | 0 |
| Other | 61,855 | 0 | 0 |
| Debt Service: | | | |
| Principal | 0 | 0 | 0 |
| Interest and other charges | 0 | 0 | 0 |
| Total Expenditures | 439,911 | 59,123 | 12,050 |
| Excess (Deficiency) of Revenues Over Expenditures | 61,170 | 6,161 | 9,194 |
| Other Financing Sources (Uses) | | | |
| Operating transfers in | 0 | 75,593 | 44,761 |
| Operating transfers out | (426,716) | (7,571) | 0 |
| Total other financing sources (uses) | (426,716) | 68,022 | 44,761 |
| Net Change in Fund Balances | (365,546) | 74,183 | 53,955 |
| Fund Balances - Beginning of year | 887,724 | (55,678) | (3,489) |
| Fund Balances - End of year | \$522,178 | \$18,505 | \$50,466 |

See accompanying notes to the basic financial statements.

| Law Enforcement Fund | Library Fund | 2006 Installment Loan Fund | Total Governmental Funds |
|-------------------------|-----------------|----------------------------------|--------------------------------|
| \$110,025 | \$0 | \$0 | \$385,176 |
| 0 | 0 | 0 | 6,160 |
| 825 | 0 | 0 | 232,725 |
| 0 | 0 | 0 | 9,574 |
| 0 | 9,250 | 0 | 9,250 |
| 366 | 3,365 | 0 | 31,918 |
| 0 | 0 | 0 | 25,016 |
| 0 | 700 | 0 | 12,321 |
| 111,216 | 13,315 | 0 | 712,140 |
| 0 | 0 | 0 | 14,341 |
| 0 | 0 | 0 | 139,235 |
| 94,410 | 0 | 0 | 137,591 |
| 0 | 0 | 0 | 231,566 |
| 0 | 0 | 0 | 10,670 |
| 0 | 23,109 | 0 | 33,345 |
| 0 | 0 | 0 | 61,855 |
| 0 | 0 | 20,784 | 20,784 |
| 0 | 0 | 4,376 | 4,376 |
| 94,410 | 23,109 | 25,160 | 653,763 |
| 16,806 | (9,794) | (25,160) | 58,377 |
| 0 | 9,250 | 25,160 | 154,764 |
| 0 | 0 | 0 | (434,287) |
| 0 | 9,250 | 25,160 | (279,523) |
| 16,806 | (544) | 0 | (221,146) |
| 47,723 | 30,176 | 0 | 906,456 |
| \$64,529 | \$29,632 | \$0 | \$685,310 |

CITY OF PETERSBURG

*Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2007*

Total Net Change in Fund Balances - Governmental Funds (\$221,146)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures;
in the statement of activities, these costs are allocated over their
estimated useful lives as depreciation:

| | | |
|----------------------|---------------|---------|
| Depreciation expense | (42,612) | |
| Capital outlay | <u>33,978</u> | (8,634) |

Repayment of debt principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 20,784

Adjustment to change in Summerfield-Petersburg Library joint venture equity interest to reflect Petersburg's 50% equity, the total activity of the library was reported in the funds 272

Change in Net Assets of Governmental Activities (\$208,724)

See accompanying notes to the basic financial statements.

CITY OF PETERSBURG

*Statement of Net Assets
Proprietary Funds
June 30, 2007*

| | Business-type Activities Enterprise Funds | | |
|---|--|-------------|-------------|
| | Sewage Disposal | Water | Total |
| Assets | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$287,088 | \$181,817 | \$468,905 |
| Short-term investments | 0 | 103,609 | 103,609 |
| Receivables | 56,450 | 75,005 | 131,455 |
| Due from other funds | 66,403 | 0 | 66,403 |
| Total Current Assets | 409,941 | 360,431 | 770,372 |
| Restricted Assets: | | | |
| Cash and cash equivalents | 0 | 189 | 189 |
| Investments, at market value | 0 | 388,325 | 388,325 |
| Capital Assets: | 2,652,904 | 3,914,209 | 6,567,113 |
| Less: Allowance for depreciation | (1,261,878) | (1,013,918) | (2,275,796) |
| Net Capital Assets | 1,391,026 | 2,900,291 | 4,291,317 |
| Other Assets: | | | |
| Deposits | 0 | 400 | 400 |
| Total Assets | 1,800,967 | 3,649,636 | 5,450,603 |
| Liabilities | | | |
| Current Liabilities: | | | |
| Accounts payable | 4,552 | 12,081 | 16,633 |
| Accrued interest payable | 10,153 | 14,969 | 25,122 |
| Due to other funds | 12,585 | 79,010 | 91,595 |
| Bonds payable - current portion | 30,000 | 115,000 | 145,000 |
| Total Current Liabilities | 57,290 | 221,060 | 278,350 |
| Long-Term Liabilities: | | | |
| Bonds payable (less current portion) | 825,000 | 2,280,000 | 3,105,000 |
| Total Liabilities | 882,290 | 2,501,060 | 3,383,350 |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 536,026 | 505,291 | 1,041,317 |
| Restricted for capital projects | 0 | 189 | 189 |
| Unrestricted | 382,651 | 643,096 | 1,025,747 |
| Total Net Assets | \$918,677 | \$1,148,576 | \$2,067,253 |

See accompanying notes to the basic financial statements.

CITY OF PETERSBURG

*Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2007*

| | Business-type Activities Enterprise Funds | | |
|--|--|-------------|-------------|
| | Sewage Disposal | Water | Total |
| Operating Revenues | | | |
| Charges for services | \$191,256 | \$97,582 | \$288,838 |
| Administrative fees | 0 | 24,424 | 24,424 |
| Penalties | 6,680 | 5,035 | 11,715 |
| Hydrant rental | 0 | 3,350 | 3,350 |
| Other revenue | 602 | 6,691 | 7,293 |
| Total Operating Revenues | 198,538 | 137,082 | 335,620 |
| Operating Expenses | | | |
| Water purchase | 0 | 42,692 | 42,692 |
| Administrative fee | 9,622 | 11,546 | 21,168 |
| Operating and maintenance wages | 69,319 | 33,253 | 102,572 |
| Benefits | 12,209 | 7,166 | 19,375 |
| Office supplies | 239 | 0 | 239 |
| Chemicals | 10,070 | 0 | 10,070 |
| Operating supplies | 9,921 | 6,030 | 15,951 |
| Professional services | 1,900 | 4,195 | 6,095 |
| Utilities | 31,565 | 3,714 | 35,279 |
| Maintenance and repair | 8,261 | 6,351 | 14,612 |
| Equipment rental | 2,963 | 683 | 3,646 |
| Depreciation | 35,658 | 111,985 | 147,643 |
| Miscellaneous | 1,004 | 4,189 | 5,193 |
| Insurance | 4,360 | 5,428 | 9,788 |
| Contracted services | 12,823 | 6,110 | 18,933 |
| Total Operating Expenses | 209,914 | 243,342 | 453,256 |
| Operating Income (Loss) | (11,376) | (106,260) | (117,636) |
| Non-Operating Revenues (Expenses) | | | |
| Property taxes | 71,891 | 0 | 71,891 |
| Debt service charge | 0 | 128,251 | 128,251 |
| Tap fees | 0 | 27,000 | 27,000 |
| Interest income | 5,649 | 19,908 | 25,557 |
| Interest and other charges | (40,969) | (64,221) | (105,190) |
| Loss on disposal of assets | (176) | (25,059) | (25,235) |
| Total Non-Operating Revenues (Expenses) | 36,395 | 85,879 | 122,274 |
| Income (Loss) Before Transfers | 25,019 | (20,381) | 4,638 |
| Transfers in | 103,982 | 175,541 | 279,523 |
| Change in Net Assets | 129,001 | 155,160 | 284,161 |
| Net Assets - Beginning of year | 789,676 | 993,416 | 1,783,092 |
| Net Assets - End of year | \$918,677 | \$1,148,576 | \$2,067,253 |

See accompanying notes to the basic financial statements.

CITY OF PETERSBURG

*Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007*

| | Business-type Activities Enterprise Funds | | |
|--|--|-----------|-----------|
| | Sewage Disposal | Water | Total |
| Cash Flows from Operating Activities: | | | |
| Receipts from customers | \$195,408 | \$136,788 | \$332,196 |
| Payments to suppliers | (196,316) | (257,011) | (453,327) |
| Payments to employees | (69,319) | (33,253) | (102,572) |
| Net cash provided (used) by operating activities | (70,227) | (153,476) | (223,703) |
| Cash Flows from Noncapital Financing Activities: | | | |
| Receipts from water fund | 10,838 | 0 | 10,838 |
| Payments to sewer fund | 0 | (10,838) | (10,838) |
| Transfers in (out) | 103,982 | 175,541 | 279,523 |
| Net cash provided (used) by noncapital financing activities | 114,820 | 164,703 | 279,523 |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Property taxes | 71,891 | 0 | 71,891 |
| Principal repayments | (30,000) | (110,000) | (140,000) |
| Purchase of capital assets | (1,284) | 1 | (1,283) |
| Interest paid | (41,325) | (65,355) | (106,680) |
| Debt service and connection charges | 0 | 152,053 | 152,053 |
| Net cash provided (used) by related financing activities | (718) | (23,301) | (24,019) |
| Cash Flows from Investing Activities: | | | |
| Proceeds on sale of investments | 0 | 100,000 | 100,000 |
| Purchase of investments | 0 | (114,914) | (114,914) |
| Interest income | 6,096 | 19,908 | 26,004 |
| Net cash provided (used) by related investing activities | 6,096 | 4,994 | 11,090 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 49,971 | (7,080) | 42,891 |
| Cash and Cash Equivalents - Beginning of Year | 237,117 | 189,086 | 426,203 |
| Cash and Cash Equivalents - End of Year | \$287,088 | \$182,006 | \$469,094 |

See accompanying notes to the basic financial statements.

CITY OF PETERSBURG

Reconciliation of Operating Income and Cash and Cash Equivalents Proprietary Funds For the Year Ended June 30, 2007

| | Business-type Activities Enterprise Funds | | |
|---|--|--------------------|--------------------|
| | Sewage Disposal | Water | Total |
| Reconciliations of operating income (loss) to net cash provided by operating activities: | | | |
| Operating income (loss) | (\$11,376) | (\$106,260) | (\$117,636) |
| Adjustments to reconcile operating income to net cash from operating activities: | | | |
| Depreciation | 35,658 | 111,985 | 147,643 |
| Changes in assets and liabilities: | | | |
| Receivables | (3,130) | (294) | (3,424) |
| Due to (from) other funds | (91,397) | (162,934) | (254,331) |
| Accounts payable | 18 | 4,027 | 4,045 |
| Net cash used by operating activities | <u>(\$70,227)</u> | <u>(\$153,476)</u> | <u>(\$223,703)</u> |
| Reconciliations of cash and cash equivalents: | | | |
| Cash and cash equivalents | \$287,088 | \$181,817 | \$468,905 |
| Restricted cash and cash equivalents | 0 | 189 | 189 |
| Total cash and cash equivalents | <u>\$287,088</u> | <u>\$182,006</u> | <u>\$469,094</u> |

See accompanying notes to the basic financial statements.

CITY OF PETERSBURG

*Statement of Fiduciary Funds
Agency Fund
June 30, 2007*

Assets

| | |
|----------------------|-----------------------|
| Cash and investments | \$28 |
| Accounts receivable | <u>5,750</u> |
| Total Assets | <u><u>\$5,778</u></u> |

Liabilities

| | |
|-------------------|-----------------------|
| Deferred Taxes | <u>\$5,778</u> |
| Total Liabilities | <u><u>\$5,778</u></u> |

See accompanying notes to the basic financial statements.

CITY OF PETERSBURG

Notes to Financial Statements *Year Ended June 30, 2007*

Note 1 Summary of Significant Accounting Policies

The financial statements of the City of Petersburg have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

Basis of Presentation

A. Reporting Entity

The City of Petersburg, Michigan is governed by an elected seven member council. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

B. Discretely Presented Component Unit

The Brownfield Redevelopment Authority is a separate legal entity that was created to finance environmental cleanup within the City. The Authority's governing body is selected by the City Council, which has the authority to approve its budget.

C. Jointly Governed Organizations

The following entity is included herein as it operated as an autonomous unit:

Summerfield-Petersburg Library - This is a joint venture, supported by Summerfield Township and the City of Petersburg, to provide a library for these two government units. This library is audited as part of the City of Petersburg.

Summerfield-Petersburg Joint Building Authority - This joint venture is discussed in Note 15.

D. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City (the primary government) and its discretely presented component unit. The effect of interfund activity has been removed from these statements. Governmental activities are reported separately from business-type activities. Likewise, the primary government is reported separately from the discretely presented component unit for which the City is financially accountable. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities rely on user fees and charges.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

CITY OF PETERSBURG

Notes to Financial Statements

Year Ended June 30, 2007

Note 1 Summary of Significant Accounting Policies (Continued)
Basis of Presentation (Continued)

D. Government-Wide and Fund Financial Statements (Concluded)

Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major Individual Enterprise Fund are reported as separate columns in the fund financial statements.

E. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenue, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences, and claims and judgments are recorded only when payment is due.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's's primary operating fund. It is used to account for most of the day-to-day operations of the City which are financed from sales tax, property taxes and other general revenues. Activities financed by the general fund include those of line and staff departments withing the City, except for activities of the enterprise funds.

CITY OF PETERSBURG

Notes to Financial Statements *Year Ended June 30, 2007*

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

E. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Concluded)

Major Street Fund - To comply with the provisions of Act 51 P.A. of 1951, as amended, which provides that gas and weight tax moneys distributed by the State of Michigan to local units must be segregated from other moneys. This fund is used to account for revenues and expenditures that pertain to the construction and maintenance of major streets.

Local Street Fund - To comply with the provisions of Act 51 P.A. of 1951, as amended, which provides that gas and weight tax moneys distributed by the State of Michigan to local units must be segregated from other moneys. This fund is used to account for revenues and expenditures that pertain to the construction and maintenance of local streets.

Law Enforcement Fund - To account for voted millage levied specifically for law enforcement.

Library Fund - To account for monies collected from two local municipalities to operate the Summerfield-Petersburg Library.

2006 Installment Loan - To account for payment of loan principal and interest on a 2006 installment loan, from General Fund taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise funds are charges to customers for sales and services. The water and sewer recognizes the portion of tap fees intended to recover the cost of connecting new customers to the system as new operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

It is not the practice or intent of the City to recover depreciation expense with its user charges. The rates for the City's Enterprise Funds are intended to cover all expenses, except depreciation.

The City reports the following major proprietary funds:

Water Fund - To account for the provision of water services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

Sewage Disposal Fund - To account for the provision of sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

Additionally, the City reports the following fund type:

FIDUCIARY FUNDS

Agency Fund - Agency Funds are used to account for assets held by the City as an agent. The City has one agency fund which is described below:

Tax Collection Fund - to account for tax collection.

CITY OF PETERSBURG

Notes to Financial Statements *Year Ended June 30, 2007*

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

F. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Short-Term Interfund Receivables/Payables - Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Investments

Investments are recorded at fair value, based on quoted market prices.

Receivables and Payables

Accounts Receivable - Property taxes are levied based on taxable value at January 1 prior to July 1 and become due September 1, and past due after February 28. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior year's levy are shown net of an allowance for uncollectible.

Accounts receivables from other governments include amounts due from grantors for approved grants for specific programs. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Prepaid Items - Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items. The prepaid balances, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Restricted Assets - Restricted assets in the Enterprise Funds are; cash set aside for the construction and maintenance of the new water line.

Capital Assets - Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

CITY OF PETERSBURG

Notes to Financial Statements *Year Ended June 30, 2007*

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

F. Assets, Liabilities, and Net Assets or Equity (Continued)

Capital Assets (Concluded)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Capital assets are depreciated using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|--------------------------------------|------------------------|
| Infrastructure | 50 years |
| Water and sewer distribution systems | 50-100 years |
| Buildings and building improvements | 30-50 years |
| Machinery and equipment | 5-20 years |
| Computer equipment | 3-10 years |
| Vehicles | 3-10 years |

Long-Term Obligations - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans for future use of financial resources.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Budgetary Principles - The City is required by its charter to adopt an annual budget on or before June 30 for the ensuing fiscal year. The general, special revenue, and debt service governmental fund types and proprietary fund types have legally adopted budgets. From the effective date of the budget, the amounts stated therein as proposed expenditures/expenses become appropriations to the various City departments. Throughout the fiscal year the budget was amended to add supplemental appropriations. All amendments to the budget which change the total appropriation amount for any department require City Council approval and all increases in appropriations must be accompanied by an increase in revenue sources of a like amount to maintain a balanced budget.

GASB Statement No. 34 requires that budgetary comparison statements for the General Fund and major special revenue funds be presented in the basic financial statements. These statements must display original budget, amended budget and actual results (on a budgetary basis).

CITY OF PETERSBURG

Notes to Financial Statements *Year Ended June 30, 2007*

Note 1 Summary of Significant Accounting Policies (Concluded)

Basis of Presentation (Concluded)

F. Assets, Liabilities, and Net Assets or Equity (Concluded)

Budgetary Principles (Concluded)

Budgeted revenue amounts represent the original budget modified by City Council-authorized adjustments during the year, which were contingent upon new or additional revenue sources. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Budgets are prepared in conformity with GAAP using the modified accrual basis of accounting.

Note 2 Deposits and Investments

On November 17, 1998 the City Council adopted an investment policy to invest its funds in a manner which will provide the highest in investment return with the maximum security while meeting the daily cash flow needs of the City and comply with all state statutes governing the investment of public funds. The primary objectives in priority order of the investment activities are safety of principal, diversification, liquidity, and return on investment. The policy lists the types of investments that are authorized so long as they comply with the applicable state statutes.

The City's deposits and investments were reported in the statement of net assets under the following categories:

| | |
|---------------------------|--------------------|
| Cash and cash equivalents | \$ 670,121 |
| Short-term investments | 515,195 |
| Restricted cash | 189 |
| Investments | <u>388,325</u> |
| Total | <u>\$1,573,830</u> |

The breakdown between deposits and investments for the City are as follows:

| | |
|---|--------------------|
| Bank deposits (checking accounts, savings accounts, and certificates of deposit) | \$1,573,480 |
| Petty cash | <u>350</u> |
| | <u>\$1,573,830</u> |

Deposits

The above bank deposits reflected accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$1,581,518. Of that amount \$142,123 was covered by federal depository insurance and the remaining deposits were uninsured and uncollateralized.

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each institution it deposits City funds with and assesses the level of risk of each institution: only those institutions with an acceptable estimated risk level are used as depositories.

CITY OF PETERSBURG

Notes to Financial Statements *Year Ended June 30, 2007*

Note 2 Deposits and Investments (Concluded) **Investments**

The City's investments are categorized below to give an indication of the level of risk assumed by the City at the year end. Risk Category 1 includes those investments that meet any one of the following criteria:

- a. Insured
- b. Registered
- c. Held by the City or its agent

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterpart's trust department (or agency) in the City's name. Category 3 includes investments held by:

- a. The counterpart or
- b. The counterpart's trust department (or agent) but not in the City's name

The City's investment balances as of June 30, 2007 were not subject to categorization. Investments were comprised solely of certificates of deposit with original maturity dates of greater than twelve months as follows:

| | |
|-------------------------|------------------|
| | <u>Maturity</u> |
| | Five |
| | <u>Years</u> |
| Bank deposits: | |
| Certificate of deposits | <u>\$388,325</u> |

Interest Rate Risk

The City does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Credit Risk

The City's credit risk is limited by the state statutes governing the investment of public funds and by the City Council investment policy which limits the types of investments. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The City investment policy refers to diversification by institution as a method to improve security of principal. The City places no limit on the amount the City may deposit or invest in any one issuer. As of June 30, 2007, 100% of the deposits and bank certificate of deposits were with Monroe Bank & Trust.

Custodial Credit Risk

All of the bank certificate of deposits and bank deposit accounts are in the name of the City.

CITY OF PETERSBURG

Notes to Financial Statements *Year Ended June 30, 2007*

Note 3 Stewardship, Accountability and Compliance

The City shall not incur expenditures in excess of the amount appropriated. Annual budgets are adopted on a basis that is consistent with generally accepted accounting principles and State Law for the General and Special Revenue Funds.

In the required supplemental information, the City's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis, which is the adopted legal level of control.

During the year ended June 30, 2007, expenditures exceeded final budgeted amounts in the following funds:

| | <u>Final Budget</u> | <u>Actual Expenditures</u> | <u>Variance</u> |
|-------------------------------|---------------------|----------------------------|-----------------|
| Brownfield Redevelopment Fund | \$ - | \$25,709 | \$(25,709) |
| Library Fund | 18,500 | 23,109 | (4,609) |

Note 4 Due from Other Governments

Amounts due from other governments include state shared revenue of \$45,950.

Note 5 Interfund Receivable and Payable Balances

Interfund balances at June 30, 2007 consisted of the following individual fund receivables and payables:

| | <u>Interfund Receivables</u> | <u>Interfund Payables</u> |
|------------------------|------------------------------|---------------------------|
| General Fund: | | |
| Special Revenue Funds: | | |
| Major Street Fund | \$ 4,207 | |
| Local Street Fund | 3,052 | |
| Proprietary Funds: | | |
| Water Fund | 12,607 | |
| Sewage Disposal Fund | 12,585 | |
| Special Revenue Funds: | | |
| Major Street Fund: | | |
| General Fund | | \$ 4,207 |
| Local Street Fund: | | |
| General Fund | | 3,052 |
| Proprietary Funds: | | |
| Water Fund: | | |
| General Fund | | 12,607 |
| Proprietary Fund: | | |
| Sewage Disposal Fund | | 66,403 |
| Sewage Disposal Fund: | | |
| General Fund | | 12,585 |
| Proprietary Fund: | | |
| Water Fund | <u>66,403</u> | <u> </u> |
| Totals | <u>\$98,854</u> | <u>\$98,854</u> |

CITY OF PETERSBURG

Notes to Financial Statements

Year Ended June 30, 2007

Note 6 Interfund Transfers

Interfund transfers for the year ended June 30, 2007 consisted of the following:

| | <u>Transfers Out</u> | | | |
|-----------------------|-------------------------|------------------------------|-----------------------|------------------|
| | <u>General Fund</u> | <u>Major Street Fund</u> | <u>Sewer Fund</u> | <u>Total</u> |
| Library Fund | \$ 9,250 | \$ - | \$ - | \$ 9,250 |
| 2006 Installment Fund | 25,160 | - | - | 25,160 |
| Local Street Fund | 31,576 | 7,571 | 5,614 | 44,761 |
| Major Street Fund | 70,077 | - | 5,516 | 75,593 |
| Water Fund | 175,541 | - | - | 175,541 |
| Sewer Fund | <u>115,112</u> | <u>-</u> | <u>-</u> | <u>115,112</u> |
| | <u>\$426,716</u> | <u>\$7,571</u> | <u>\$11,130</u> | <u>\$445,417</u> |

The above transfers from General, Major Street, and Sewer Funds was to clear out interfund receivables and payables. The amounts represent activity from prior years through June 30, 2006.

CITY OF PETERSBURG

Notes to Financial Statements

Year Ended June 30, 2007

Note 7

Capital Assets

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|--|----------------------|--------------------|-------------------|--------------------|
| Governmental Activities: | | | | |
| Non-Depreciable Assets: | | | | |
| Land | \$187,823 | \$0 | \$0 | \$187,823 |
| Depreciable Assets: | | | | |
| Building | 535,583 | 0 | 0 | 535,583 |
| Land Improvements | 61,218 | 8,930 | 0 | 70,148 |
| Vehicles | 52,539 | 24,091 | 0 | 76,630 |
| Computers & Software | 23,891 | 0 | 0 | 23,891 |
| Office Equipment | 25,738 | 0 | 0 | 25,738 |
| Equipment | 123,023 | 0 | 0 | 123,023 |
| Heavy Equipment | 156,026 | 0 | 0 | 156,026 |
| Total capital assets | 1,165,841 | 33,021 | 0 | 1,198,862 |
| Less accumulated depreciation for: | | | | |
| Building | (132,326) | (15,064) | 0 | (147,390) |
| Land Improvements | (42,936) | (3,098) | 0 | (46,034) |
| Vehicles | (47,671) | (8,345) | 0 | (56,016) |
| Computers & Software | (14,603) | (1,892) | 0 | (16,495) |
| Office Equipment | (11,633) | (2,523) | 0 | (14,156) |
| Equipment | (107,274) | (2,664) | 0 | (109,938) |
| Heavy Equipment | (37,863) | (7,801) | 0 | (45,664) |
| Total accumulated depreciation | (394,306) | (41,387) | 0 | (435,693) |
| Total Governmental Activities capital assets, net | <u>\$771,535</u> | <u>(\$8,366)</u> | <u>\$0</u> | <u>\$763,169</u> |
| Business Activities: | | | | |
| Non-Depreciable Assets: | | | | |
| Land | \$139,196 | \$0 | \$0 | \$139,196 |
| Depreciable Assets: | | | | |
| Buildings | 1,029,535 | 0 | 0 | 1,029,535 |
| Sewer system | 1,534,639 | 0 | 0 | 1,534,639 |
| Machinery and equipment | 575,379 | 1,284 | (47,059) | 529,604 |
| Water system | 3,092,240 | 0 | (16,032) | 3,076,208 |
| Generator | 22,010 | 0 | 0 | 22,010 |
| Vehicles | 2,960 | 0 | 0 | 2,960 |
| Wells | 232,961 | 0 | 0 | 232,961 |
| Total capital assets | 6,628,920 | 1,284 | (63,091) | 6,567,113 |
| Less accumulated depreciation for: | | | | |
| Buildings | (1,010,680) | (978) | 0 | (1,011,658) |
| Sewer system | (173,333) | (30,847) | 0 | (204,180) |
| Machinery and equipment | (397,719) | (17,379) | 34,443 | (380,655) |
| Water system | (370,566) | (97,705) | 3,412 | (464,859) |
| Generator | (15,468) | (734) | 0 | (16,202) |
| Vehicles | (2,960) | 0 | 0 | (2,960) |
| Wells | (195,282) | 0 | 0 | (195,282) |
| Total accumulated depreciation | (2,166,008) | (147,643) | 37,855 | (2,275,796) |
| Total Business Activities capital assets, net | <u>\$4,462,912</u> | <u>(\$146,359)</u> | <u>(\$25,236)</u> | <u>\$4,291,317</u> |

CITY OF PETERSBURG

Notes to Financial Statements *Year Ended June 30, 2007*

Note 7

Capital Assets (Concluded)

Depreciation expense was charged to functions/programs of the City as follows:

Governmental Activities:

| | |
|------------------------|------------|
| General Government | \$16,911 |
| Public Safety | 4,730 |
| Public Works | 18,871 |
| Recreation and Culture | <u>875</u> |

| | |
|--|-----------------|
| Total Depreciation Expense - Governmental Activities | <u>\$41,387</u> |
|--|-----------------|

Business-Type Activities

| | |
|-------|----------------|
| Sewer | \$ 35,658 |
| Water | <u>111,985</u> |

| | |
|---|------------------|
| Total Depreciation Expense - Business-Type Activities | <u>\$147,643</u> |
|---|------------------|

Note 8

Long-Term Debt

The following is a summary of changes in long-term debt:

| | Balance <u>June 30, 2006</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>June 30, 2007</u> | Due Within <u>One Year</u> |
|--|---------------------------------|------------------|------------------|---------------------------------|-------------------------------|
| Governmental Activities: | | | | | |
| Purchase of building at 162 Walnut Street, loan payable - Monroe Bank and Trust, bearing interest of 4.40% | <u>\$107,498</u> | <u>\$ -</u> | <u>\$20,784</u> | <u>\$86,714</u> | <u>\$21,721</u> |
| Business-Type Activities: | | | | | |
| 2001 Sewer Plant Upgrades Limited Tax General Obligation Bonds, bearing interest of 4.75% | \$ 885,000 | \$ - | \$ 30,000 | \$ 855,000 | \$ 30,000 |
| 2003 Water Main and Pumping Station Limited Tax General Obligation Bonds, bearing interest of 2.5% | <u>2,505,000</u> | <u>-</u> | <u>110,000</u> | <u>2,395,000</u> | <u>115,000</u> |
| Total Business-type Activities | <u>\$3,390,000</u> | <u>\$ -</u> | <u>\$140,000</u> | <u>\$3,250,000</u> | <u>\$155,000</u> |

CITY OF PETERSBURG

Notes to Financial Statements

Year Ended June 30, 2007

Note 8 Long-Term Debt (Continued)

Annual debt service to maturity for the above obligations are as follows:

| | Governmental Activities | | Business-Type Activities | |
|-----------|----------------------------|-----------------|-----------------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2008 | \$21,721 | \$3,439 | \$ 145,000 | \$ 98,337 |
| 2009 | 22,719 | 2,441 | 155,000 | 93,800 |
| 2010 | 23,754 | 1,406 | 160,000 | 88,963 |
| 2011 | 18,520 | 348 | 165,000 | 84,001 |
| 2012 | - | - | 165,000 | 78,975 |
| 2013-2017 | - | - | 965,000 | 308,552 |
| 2018-2022 | - | - | 1,160,000 | 139,182 |
| 2023-2027 | - | - | <u>335,000</u> | <u>8,438</u> |
| | <u>\$86,714</u> | <u>\$7,634</u> | <u>\$3,250,000</u> | <u>\$900,248</u> |

Installment loan - \$112,500 was taken out March 28, 2007, by the City of Petersburg for purchase of property at 162 Walnut Street. Funds necessary for payment of principal and interest will be financed by the General Fund.

| Year Ended | | | Total |
|----------------|---------------------|----------------------|---------------------|
| <u>June 30</u> | <u>Interest Due</u> | <u>Principal Due</u> | <u>Requirements</u> |
| 2008 | \$3,439 | \$21,721 | \$25,160 |
| 2009 | 2,441 | 22,719 | 25,160 |
| 2010 | 1,406 | 23,754 | 25,160 |
| 2011 | <u>348</u> | <u>18,520</u> | <u>18,868</u> |
| | <u>\$7,634</u> | <u>\$86,714</u> | <u>\$94,348</u> |

General Obligation Sewer Bonds - \$995,000 issue dated February 1, 2001, by the City of Petersburg for sewer plant upgrades. Funds necessary for payment of principal and interest will be provided by a tax levy.

| Year Ended | Interest Due | | Principal Due | Total |
|----------------|------------------|------------------|------------------|---------------------|
| <u>June 30</u> | <u>October 1</u> | <u>April 1</u> | <u>October 1</u> | <u>Requirements</u> |
| 2008 | \$ 20,306 | \$ 19,594 | \$ 30,000 | \$ 69,900 |
| 2009 | 19,594 | 18,644 | 40,000 | 78,238 |
| 2010 | 18,644 | 17,694 | 40,000 | 76,338 |
| 2011 | 17,694 | 16,744 | 40,000 | 74,438 |
| 2012 | 16,744 | 15,794 | 40,000 | 72,538 |
| 2013 | 15,794 | 14,606 | 50,000 | 80,400 |
| 2014 | 14,606 | 13,419 | 50,000 | 78,025 |
| 2015 | 13,419 | 11,994 | 60,000 | 85,413 |
| 2016 | 11,994 | 10,569 | 60,000 | 82,563 |
| 2017 | 10,569 | 9,144 | 60,000 | 79,713 |
| 2018 | 9,144 | 7,481 | 70,000 | 86,625 |
| 2019 | 7,481 | 5,819 | 70,000 | 83,300 |
| 2020 | 5,819 | 3,919 | 80,000 | 89,738 |
| 2021 | 3,919 | 2,019 | 80,000 | 85,938 |
| 2022 | <u>2,019</u> | <u>-</u> | <u>85,000</u> | <u>87,019</u> |
| | <u>\$187,746</u> | <u>\$167,440</u> | <u>\$855,000</u> | <u>\$1,210,186</u> |

CITY OF PETERSBURG

Notes to Financial Statements

Year Ended June 30, 2007

Note 8 Long-Term Debt (Concluded)

General Obligation Water Bonds - \$2,720,000 issue dated March 27, 2003, by the City of Petersburg for construction of new water main and pumping station. Funds necessary for payment of principal and interest will be provided by a one time connection fee to out of city residents, and quarterly debt charge.

| Year Ended June 30 | Interest Due | | Principal Due October 1 | Total Requirements |
|-----------------------|------------------|------------------|----------------------------|-----------------------|
| | October 1 | April 1 | | |
| 2008 | \$ 29,937 | \$ 28,500 | \$ 115,000 | \$ 173,437 |
| 2009 | 28,500 | 27,062 | 115,000 | 170,562 |
| 2010 | 27,063 | 25,562 | 120,000 | 172,625 |
| 2011 | 25,563 | 24,000 | 125,000 | 174,563 |
| 2012 | 24,000 | 22,437 | 125,000 | 171,437 |
| 2013 | 22,437 | 20,812 | 130,000 | 173,249 |
| 2014 | 20,812 | 19,125 | 135,000 | 174,937 |
| 2015 | 19,125 | 17,438 | 135,000 | 171,563 |
| 2016 | 17,438 | 15,688 | 140,000 | 173,126 |
| 2017 | 15,688 | 13,875 | 145,000 | 174,563 |
| 2018 | 13,875 | 12,062 | 145,000 | 170,937 |
| 2019 | 12,062 | 10,188 | 150,000 | 172,250 |
| 2020 | 10,188 | 8,250 | 155,000 | 173,438 |
| 2021 | 8,250 | 6,250 | 160,000 | 174,500 |
| 2022 | 6,250 | 4,187 | 165,000 | 175,437 |
| 2023 | 4,188 | 2,125 | 165,000 | 171,313 |
| 2024 | 2,125 | - | 170,000 | 172,125 |
| | <u>\$287,501</u> | <u>\$257,561</u> | <u>\$2,395,000</u> | <u>\$2,940,062</u> |

Note 9 Property Taxes

The City bills and collects its own property taxes and also taxes for the County of Monroe, Monroe Intermediate School District, Monroe County Community College and Summerfield School District for 2005. The City tax was spread as follows:

| | | |
|----------------------|----------------|-------|
| General Fund | 12.0798 | mills |
| Law Enforcement Fund | 4.8673 | mills |
| WWTP Debt Fund | <u>3.1760</u> | mills |
| | <u>20.1231</u> | mills |

The City's 2006 summer and winter taxes were levied July 1, 2006 and December 1, 2006, respectively, on assessed valuation as of December 31, 2005 and were due and payable by August 31, 2006 and February 14, 2007, respectively. State equalized values amounted to \$28,819,100. Taxable value amounting to \$22,544,500 was comprised of \$16,982,825 homestead and \$5,561,675 non-homestead.

Note 10 Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and administered by Security Benefit Life Insurance Co. The Plan, available to all permanent City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

CITY OF PETERSBURG

Notes to Financial Statements

Year Ended June 30, 2007

Note 10 Deferred Compensation Plan (Concluded)

All amounts of compensation deferred under the Plan, all property rights purchased with those amounts, and all income attributable to those amounts, property, or rights must be held in trust for the exclusive benefit of employees. While the contract is held by the City of Petersburg, the assets of the plan are held for the exclusive benefit of plan participants and their beneficiaries. The plan assets cannot be used to satisfy claims of general creditors. Therefore, the amount held in trust is not shown on the balance sheet.

As of July 1, 2002, the City adopted the Municipal Employees' Retirement System of Michigan Defined Benefit Program (MERS). All permanent City employees, excluding the Treasurer, will begin contributing to MERS and stop any further contributions to the current deferred compensation plan.

Note 11 Employee's Pension Plan
Plan Description

Effective July 1, 2002, the City of Petersburg is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System of Michigan (MERS), administered by the State of Michigan. The City's payroll for employees covered by the system for the year ended June 30, 2007 was \$205,931 out of a total of \$251,808.

All full time City employees excluding the Clerk and Treasurer, are eligible to participate in MERS. Benefits vest after 10 years of service. Enrolled City employees who retire at age 60 with 10 years, age 55 with 15 years and age 50 with 25 years of credited service are entitled to an annual retirement benefit based on a member's final average compensation (FAC). For this purpose, final average compensation means one-fifth of the aggregate amount of compensation (as defined in the MERS Plan Document, Section 2A(6)) paid to a member during the period of 5 consecutive years of the member's credited service in which the aggregate compensation paid is highest. Monthly benefits are calculated by multiplying credited service at time of termination of membership by 2% of the member's five-year final average compensation. The retirement allowance is reduced $\frac{1}{2}$ of 1% for each complete month that retirement precedes the age at which full normal retirement benefits are available. There is no mandatory retirement age. The system also provides death and disability benefits. Benefits are established by State statute and City Council resolution.

The Municipal Employees Retirement System of Michigan issues a publicly available financial report which may be obtained by writing to MERS, 1134 Municipal Way, Lansing, Michigan 48197.

Funding Policy

General employees will contribute 5.0% of their salary to the plan. The City is required to contribute the remaining amounts necessary to fund the system, using the actuarial basis specified by State statute. The City's annual required contribution was \$12,112 for the fiscal year ending June 30, 2007. The contribution requirements of plan members and the City are established by the City and by the MERS Board of Trustees. The required contribution was determined as part of the December 31, 2006 actuarial valuation using the entry age normal cost method.

Significant actuarial assumptions include: 1.) a rate of return on the investment of present and future assets of 8.0% per year compounded annually, 2.) projected salary increases of 4.5% per year compounded annually, attributable to inflation, 3.) additional projected salary increases ranging from 0.0% to 4.2% per year, depending on age, attributable to seniority/merit, and 4.) the assumption that benefits will increase 2.5% per year (annually) after retirement.

CITY OF PETERSBURG

Notes to Financial Statements

Year Ended June 30, 2007

Note 11 Employee's Pension Plan (Concluded)

Funding Policy (Concluded)

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over 30 years.

Contributions Required and Contributions Made

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment were determined using an attained age actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years.

The contribution to MERS for the year ended June 30, 2007, of \$10,297 (5% current covered payroll) was made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of December 31, 1990. The City contributed \$12,112; employees contributed \$10,297 (5.0% current covered payroll).

Trend Information

| | Valuation Ended December 31, | | |
|---|---------------------------------|-----------|-----------|
| | 2004 | 2005 | 2006 |
| Annual pension cost | \$ - | \$ 10,246 | \$ 12,112 |
| Percentage of APC contributed | 100% | 100% | 100% |
| Net pension obligation | - | - | - |
| Actuarial value of assets | 60,282 | 86,071 | 115,476 |
| Actuarial accrued liability (entry age) | 100,578 | 131,182 | 162,059 |
| Unfunded (overfunded) AAL | 40,296 | 45,111 | 46,583 |
| Funded ratio | 60% | 66% | 71% |
| Annual covered payroll | 189,765 | 199,994 | 202,097 |
| UAAL as a percentage of annual covered payroll | 21% | 23% | 23% |

Note 12 Tax Increment Financing

Tax increment financing is the setting aside of the taxes generated by an increase in the state equalized value of designated properties for a specific purpose. On January 20, 2006, the City adopted a Brownfield Redevelopment Authority to assist in financing the clean-up and development of a Brownfield area. The City will advance the funds to the Brownfield Redevelopment Authority (BRA) for the eligible activities as described in the environmental work plan. The City of Petersburg BRA will reimburse the City for as much of the costs as possible using a collection of local and school tax increment revenues under the Act 381 program. As of June 30, 2007, no taxes have been set aside. Taxes will begin, once the City has cleaned up the property and sold it to another party.

CITY OF PETERSBURG

Notes to Financial Statements

Year Ended June 30, 2007

Note 13 Building Department

The City tracks building permit fees and their related costs in the General Fund. Fees for the fiscal year ending June 30, 2007 of \$6,161 did not exceed the related costs and administrative overhead.

Note 14 Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors, omissions and employee injuries (workman's compensation). The City has purchased commercial insurance for property loss, torts, errors, omissions and employee injuries.

Note 15 Summerfield-Petersburg Joint Building Authority (JBA)

The JBA was created by the City and Summerfield Township under the provisions of Act 31, Public Acts of 1948 of the State of Michigan (First Extra Session), as amended. The JBA is governed by a three member Board of Commissioners of which one member is appointed by the City, one member is appointed by the Township, and one member is appointed by joint action of the City and Township Commission. Because it is legally separate from the City, the JBA is not reported as part of the primary government. Summary financial information is as follows:

| | |
|----------------------------------|------------------|
| Total Assets | <u>\$627,226</u> |
| Total Liabilities | <u>\$627,226</u> |
| Total Net Assets | <u>-</u> |
| Total Liabilities and Net Assets | <u>\$627,226</u> |
| | |
| Proceeds from Sale of Bonds | \$625,000 |
| Revenues | 2,126 |
| Capital Contributions | 100 |
| Expenses | <u>-</u> |
| Change in Net Assets | <u>\$627,226</u> |

CITY OF PETERSBURG

*General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2007*

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|-------------------------|------------------|----------------|----------------|---|
| | Original | Final | Actual | |
| Revenues | | | | |
| Property taxes | \$270,087 | \$270,087 | \$275,151 | \$5,064 |
| Licenses and permits | 12,100 | 12,100 | 6,160 | (5,940) |
| State grants | 149,604 | 149,604 | 145,602 | (4,002) |
| Charge for services | 10,000 | 10,000 | 9,574 | (426) |
| Interest and rentals | 23,000 | 23,000 | 27,957 | 4,957 |
| Administrative charges | 25,000 | 25,000 | 25,016 | 16 |
| Other revenue | 12,000 | 12,000 | 11,621 | (379) |
| Total Revenues | 501,791 | 501,791 | 501,081 | (710) |
| Expenditures | | | | |
| Legislative: | | | | |
| Council | 12,120 | 12,120 | 14,341 | (2,221) |
| General government: | | | | |
| Mayor | 3,445 | 3,445 | 2,859 | 586 |
| Clerk - elections | 5,225 | 5,225 | 3,328 | 1,897 |
| Assessor | 7,650 | 7,650 | 7,244 | 406 |
| Attorney | 20,000 | 20,000 | 17,593 | 2,407 |
| Clerk | 36,335 | 36,335 | 36,394 | (59) |
| Independent auditing | 4,300 | 4,300 | 4,650 | (350) |
| Board of review | 1,440 | 1,440 | 1,229 | 211 |
| Treasurer | 32,415 | 32,415 | 30,150 | 2,265 |
| Cemetery | 675 | 675 | 788 | (113) |
| City hall | 10,910 | 10,910 | 10,155 | 755 |
| Public relations | 5,500 | 5,500 | 10,038 | (4,538) |
| Forestry | 23,985 | 23,985 | 14,807 | 9,178 |
| | 151,880 | 151,880 | 139,235 | 12,645 |
| Public safety: | | | | |
| Fire department | 25,350 | 25,350 | 29,425 | (4,075) |
| Building inspection | 16,435 | 16,435 | 12,304 | 4,131 |
| Planning commission | 2,572 | 2,572 | 1,305 | 1,267 |
| Zoning Board of Appeals | 202 | 202 | 147 | 55 |
| | 44,559 | 44,559 | 43,181 | 1,378 |

CITY OF PETERSBURG

*General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2007*

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|-------------------------|-------------------------|-------------------------|---|
| | Original | Final | Actual | |
| Expenditures (Concluded) | | | | |
| Public works: | | | | |
| Department of Public Works | \$146,516 | \$146,516 | \$125,812 | \$20,704 |
| Street lighting | 25,500 | 25,500 | 33,688 | (8,188) |
| Sanitation | 4,200 | 4,200 | 893 | 3,307 |
| | <u>176,216</u> | <u>176,216</u> | <u>160,393</u> | <u>15,823</u> |
| Health and welfare: | | | | |
| Mosquito control | 7,137 | 7,137 | 10,670 | (3,533) |
| Recreation and cultural: | | | | |
| Parks and recreation | 11,765 | 11,765 | 10,236 | 1,529 |
| Other: | | | | |
| Insurance and bonds | 10,000 | 10,000 | 14,549 | (4,549) |
| Workmans compensation | 900 | 900 | 1,836 | (936) |
| Other fringes | 42,500 | 42,500 | 45,470 | (2,970) |
| | <u>53,400</u> | <u>53,400</u> | <u>61,855</u> | <u>(8,455)</u> |
| Total Expenditures | <u>457,077</u> | <u>457,077</u> | <u>439,911</u> | <u>17,166</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 44,714 | 44,714 | 61,170 | 16,456 |
| Other Financing Sources (Uses) | | | | |
| Operating transfers out | <u>0</u> | <u>(426,716)</u> | <u>(426,716)</u> | <u>0</u> |
| Net Change in Fund Balances | 44,714 | (382,002) | (365,546) | 16,456 |
| Fund Balances - Beginning of year | <u>887,724</u> | <u>887,724</u> | <u>887,724</u> | <u>0</u> |
| Fund Balances - End of year | <u><u>\$932,438</u></u> | <u><u>\$505,722</u></u> | <u><u>\$522,178</u></u> | <u><u>\$16,456</u></u> |

CITY OF PETERSBURG

Major Street Fund Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual For the Year Ended June 30, 2007

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|-------------------|-----------------|-----------------|---|
| | Original | Final | Actual | |
| Revenues | | | | |
| State grants: | | | | |
| Gas and weight tax | \$69,427 | \$69,427 | \$65,178 | (\$4,249) |
| Interest | 150 | 150 | 106 | (44) |
| Total Revenues | 69,577 | 69,577 | 65,284 | (4,293) |
| Expenditures | | | | |
| Public works: | | | | |
| Routine maintenance | 54,867 | 54,867 | 49,674 | 5,193 |
| Traffic services | 3,780 | 3,780 | 2,537 | 1,243 |
| Winter maintenance | 8,270 | 8,270 | 4,154 | 4,116 |
| Administrative and engineering | 2,375 | 2,375 | 2,274 | 101 |
| Worker's compensation | 285 | 285 | 484 | (199) |
| Total Expenditures | 69,577 | 69,577 | 59,123 | 10,454 |
| Excess (Deficiency) of Revenues Over Expenditures | 0 | 0 | 6,161 | 6,161 |
| Other Financing Sources (Uses) | | | | |
| Operating transfers in | 0 | 75,593 | 75,593 | 0 |
| Operating transfers out | 0 | (7,571) | (7,571) | 0 |
| Total other financing sources (uses) | 0 | 68,022 | 68,022 | 0 |
| Net Change in Fund Balances | 0 | 68,022 | 74,183 | 6,161 |
| Fund Balances - Beginning of year | (55,678) | (55,678) | (55,678) | 0 |
| Fund Balances - End of year | <u>(\$55,678)</u> | <u>\$12,344</u> | <u>\$18,505</u> | <u>\$6,161</u> |

CITY OF PETERSBURG

Local Street Fund *Statement of Revenues, Expenditures, and Changes in Fund Balances* *Budget and Actual* *For the Year Ended June 30, 2007*

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|----------------------|---------------------|---------------------|---|
| | Original | Final | Actual | |
| Revenues | | | | |
| State grants: | | | | |
| Gas and weight tax | \$22,513 | \$22,513 | \$21,120 | (\$1,393) |
| Interest | 115 | 115 | 124 | 9 |
| Total Revenues | 22,628 | 22,628 | 21,244 | (1,384) |
| Expenditures | | | | |
| Public works: | | | | |
| Routine maintenance | 14,661 | 14,661 | 4,726 | 9,935 |
| Traffic services | 954 | 954 | 56 | 898 |
| Winter maintenance | 6,378 | 6,378 | 3,606 | 2,772 |
| Administrative and engineering | 350 | 350 | 3,178 | (2,828) |
| Worker's compensation | 285 | 285 | 484 | (199) |
| Total Expenditures | 22,628 | 22,628 | 12,050 | 10,578 |
| Excess (Deficiency) of Revenues Over Expenditures | 0 | 0 | 9,194 | 9,194 |
| Other Financing Sources (Uses) | | | | |
| Operating transfers in | 0 | 44,761 | 44,761 | 0 |
| Net Change in Fund Balances | 0 | 44,761 | 53,955 | 9,194 |
| Fund Balances - Beginning of year | (3,489) | (3,489) | (3,489) | 0 |
| Fund Balances - End of year | <u>(\$3,489)</u> | <u>\$41,272</u> | <u>\$50,466</u> | <u>\$9,194</u> |

CITY OF PETERSBURG

*Law Enforcement Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2007*

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------------|-----------------|---|
| | Original | Final | Actual | |
| Revenues | | | | |
| Taxes | \$108,826 | \$108,826 | \$110,025 | \$1,199 |
| State grants: | | | | |
| Liquor license fees | 825 | 825 | 825 | 0 |
| Interest and other | 550 | 550 | 366 | (184) |
| Total Revenues | 110,201 | 110,201 | 111,216 | 1,015 |
| Expenditures | | | | |
| Public safety: | | | | |
| Contract with Monroe County | 87,641 | 87,641 | 82,281 | 5,360 |
| Salaries | 685 | 685 | 1,004 | (319) |
| Transportation | 3,500 | 3,500 | 2,717 | 783 |
| Maintenance | 2,600 | 2,600 | 3,533 | (933) |
| Equipment | 12,000 | 12,000 | 0 | 12,000 |
| Utilities | 2,350 | 2,350 | 2,124 | 226 |
| Telephone | 725 | 725 | 608 | 117 |
| Miscellaneous | 250 | 250 | 0 | 250 |
| Supplies | 450 | 450 | 2,143 | (1,693) |
| Total Expenditures | 110,201 | 110,201 | 94,410 | 15,791 |
| Excess (Deficiency) of Revenues Over Expenditures | 0 | 0 | 16,806 | 16,806 |
| Net Change in Fund Balances | 0 | 0 | 16,806 | 16,806 |
| Fund Balances - Beginning of year | 47,723 | 47,723 | 47,723 | 0 |
| Fund Balances - End of year | <u>\$47,723</u> | <u>\$47,723</u> | <u>\$64,529</u> | <u>\$16,806</u> |

CITY OF PETERSBURG

Library Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2007

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------------|-----------------|---|
| | Original | Final | Actual | |
| Revenues | | | | |
| Local contributions: | | | | |
| Summerfield Township | \$9,250 | \$9,250 | \$9,250 | \$0 |
| Interest and rentals | 0 | 0 | 3,365 | 3,365 |
| Other | 0 | 0 | 700 | 700 |
| Total Revenues | 9,250 | 9,250 | 13,315 | 4,065 |
| Expenditures | | | | |
| Recreation and culture: | | | | |
| Library | 18,500 | 18,500 | 23,109 | (4,609) |
| Total Expenditures | 18,500 | 18,500 | 23,109 | (4,609) |
| Excess (Deficiency) of Revenues Over Expenditures | (9,250) | (9,250) | (9,794) | (544) |
| Other Financing Sources (Uses) | | | | |
| Operating transfers in | 9,250 | 9,250 | 9,250 | 0 |
| Net Change in Fund Balances | 0 | 0 | (544) | (544) |
| Fund Balances - Beginning of year | 30,176 | 30,176 | 30,176 | 0 |
| Fund Balances - End of year | <u>\$30,176</u> | <u>\$30,176</u> | <u>\$29,632</u> | <u>(\$544)</u> |

CITY OF PETERSBURG

*2006 Installment Loan
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2007*

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---------------------------------------|------------------|----------|----------|---|
| | Original | Final | Actual | |
| Expenditures | | | | |
| Debt service: | | | | |
| Principal | \$20,707 | \$20,707 | \$20,784 | (\$77) |
| Interest and other charges | 4,453 | 4,453 | 4,376 | 77 |
| Total Expenditures | 25,160 | 25,160 | 25,160 | 0 |
| Other Financing Sources (Uses) | | | | |
| Operating transfers in | 25,159 | 25,159 | 25,160 | 1 |
| Net Change in Fund Balances | 1 | 1 | 0 | 1 |
| Fund Balances - Beginning of year | 0 | 0 | 0 | 0 |
| Fund Balances - End of year | \$1 | \$1 | \$0 | \$1 |



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City of Petersburg
P. O. Box 67
Petersburg, Michigan 49270

In planning and performing our audit of the financial statements of the City of Petersburg as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

Financial Statements

The City does not have procedures in place to prepare financial statements in accordance with accounting principles generally accepted in the United States of America, including procedures to record accruals for revenues and expenditures, to track changes in capital assets, and to present required financial statement disclosures. As is the case with many smaller and medium-sized entities, the government has historically relied on independent external auditors to assist in the preparation of the government-wide financial statements and footnotes. As a result of this condition, the government lacks internal controls over the preparation of the financial statements in accordance with GAAP.

The following comment is not a significant deficiency or material weakness but is a suggestion to improve your existing accounting and control systems.

Budgets

The Budget Act 621 provides for a system of uniform procedures for preparation and execution of budgets of local units of government. We would like to point out certain aspects of this law as it applied to the City and its 2006/07 budget. Expenditures cannot exceed appropriated amounts. The budget should be compared with the actual expenditures throughout the year and amended when necessary. The budget may be amended more than once and at any time during the year. If the Council finds it necessary to amend the budget, we recommend they commence formal action and document approval in minutes to the meetings. We remind the City it is on the modified accrual method, a method which records an expenditure when the liability is incurred and not necessarily when paid. Also, the budget should include the amount of fund balance (deficit) accumulated from prior years. We would be happy to review the City's budget for compliance with the Act at any time.

We appreciate the cooperation and courtesy extended to us by the officials and employees of the City during the audit engagement. We are encouraged by the City's efforts to improve and maintain a sound internal accounting control system and by the efficiency of those people involved. It is our pleasure to have been of service to the City of Petersburg.

Very truly yours,

A handwritten signature in cursive script, reading "Cordell Hehl Wohlgenuth + Carlton".

December 12, 2007